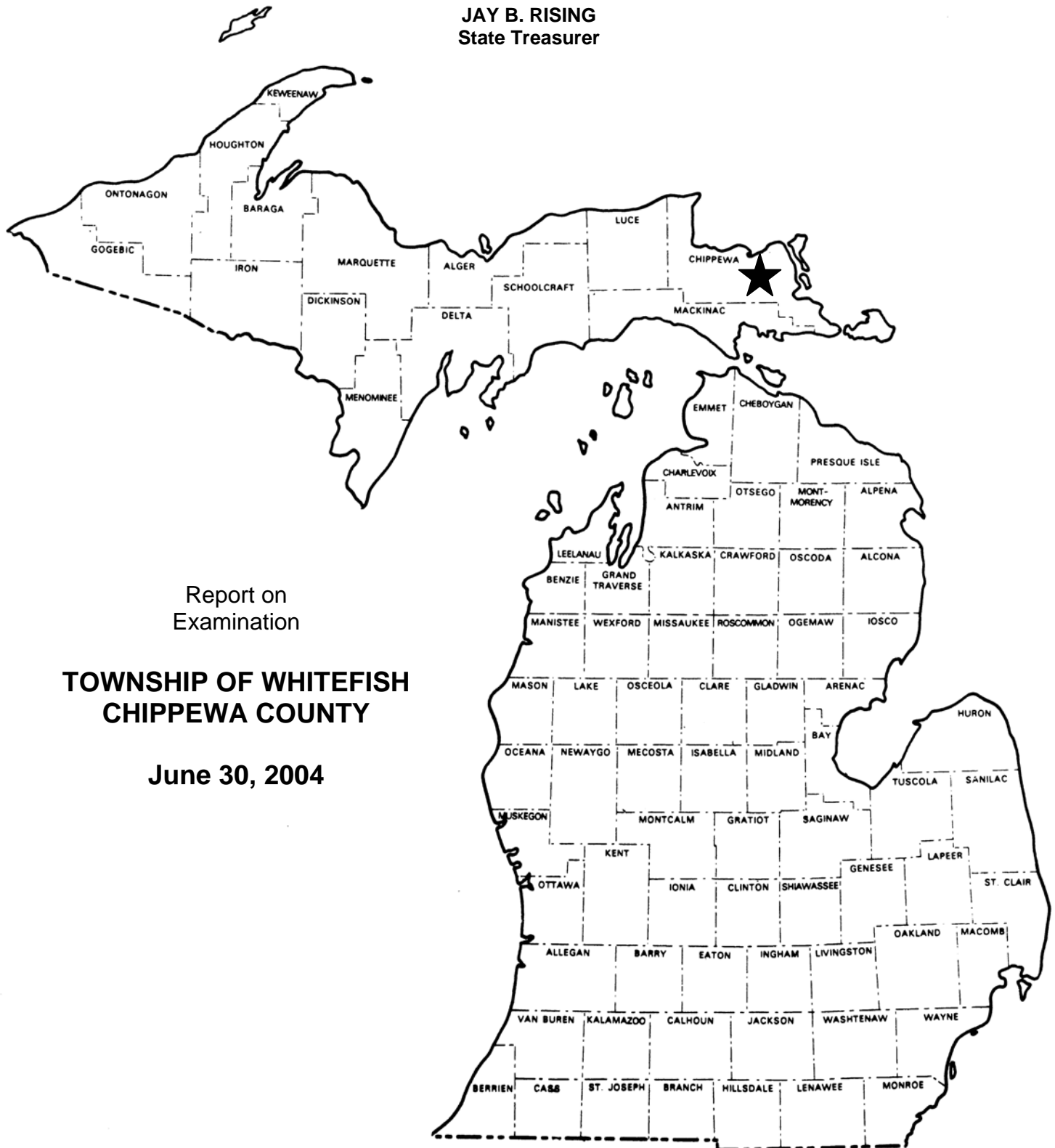


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF WHITEFISH
CHIPPEWA COUNTY**

June 30, 2004

Local Audit and Finance Division
Bureau of Local Government Services

TOWNSHIP OF WHITEFISH

CHIPPEWA COUNTY

Earl Skeans
Supervisor

Wanda Knox
Clerk

Helen Swiontek
Treasurer

Edson Forrester
Trustee

Patrick Graham
Trustee

TOWNSHIP POPULATION--2000
588

STATE EQUALIZED VALUE--2004
\$92,180,824



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

May 13, 2005

Township Board
Whitefish Township
7052 North M-123
P.O. Box 69
Paradise, Michigan 49768-0069

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Whitefish Township, Chippewa County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Whitefish Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the Whitefish Township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of July 1, 2003.

As discussed in Note E to the financial statements, management has not recorded capital assets in governmental activities from prior years and has not recorded depreciation expense on those

assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, financial position of the governmental activities of Whitefish Township, Michigan, as of June 30, 2004, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Whitefish Township, as of June 30, 2004 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated May 13, 2005 on our consideration of Whitefish Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 3 and the Budgetary Comparisons for Major Funds included in Exhibit F through I are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitefish Township's basic financial statements. The accompanying combining financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

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WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

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WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets increased \$57,204 from a year ago for the governmental activities due mainly to the addition of capital assets and an increase in ambulance services. In a condensed format, the table below shows the current year's activity only as this is the first year of the Township's conversion to GASB No. 34.

	Governmental Activities <u>2004</u>
Current Assets	\$ 353,981
Noncurrent Assets	<u>37,997</u>
Total Assets	<u>391,978</u>
Current Liabilities	20,802
Non-Current Liabilities	<u>-</u>
Total Liabilities	<u>20,802</u>
Net Assets	
Invested in Capital Assets--Net of Debt	37,997
Restricted	112,091
Unrestricted (Deficit)	<u>183,091</u>
Total Net Assets	<u><u>\$ 371,176</u></u>

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date, again, this is the first year of the Township conversion to GASB No. 34 provisions.

	Governmental Activities <u>2004</u>
Program Revenues	
Charges for Services	\$ 60,848
Operating Grants and Contributions	6,960
Capital Grants and Contributions	21,101
General Revenues	
Property Taxes	222,563
State-Shared Revenues	38,873
Unrestricted Investment Earnings	9,671
Other Revenue	<u>2,839</u>
Total Revenues	<u>362,855</u>
Program Expenses	
General Government	122,897
Public Safety	60,695
Public Works	40,282
Community and Economic Development	27,961
Recreation and Culture	33,356
Other	<u>20,460</u>
Total Expenses	<u>305,651</u>
Change in Net Assets	<u><u>\$ 57,204</u></u>

The Township's net assets continue to remain reasonably healthy overall. However, the Township is experiencing an increase in public review causing a drastic increase in spending on legal fees. Zoning enforcement is also causing an increase in legal fees.

Governmental Activities

The Township's total governmental revenues increased primarily due to the continuing increase in the Township's tax base and ambulance services. However, expenses also increased due to legal fees. This generated a net increase in net assets of \$57,204.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's Funds

Our analysis of the Township's major funds are listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2004 include the General Fund, Fire Fund, Ambulance Fund, and the Library Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of \$122,897 in 2004 as compared to \$93,412 in 2003. The increase in expenditures was the result of attorney fees and additional expenditures in Planning and Zoning activities. These services are supported by the operating millage and State shared revenues. There was a net decrease in the fund balance of \$2,282 for the General Fund. The Fire Fund is for the operations and equipment of the fire department which is supported by two special millages, one for operating and the other for equipment. The Ambulance Fund is for the operations and equipment of the ambulance department which is supported by two special millages, one for operating and the other for equipment. The Library is supported by user fees and penal fines with the major expenditures being for services and wages.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Of greatest significance was the expenditure of attorney fees by the Whitefish Township Trustees for the enforcement of green space due to zoning violations.

Capital Asset and Debt Administration

At the end of 2004, the Township had a net capital of \$37,997 invested in equipment during the current year. To pay for the capital assets, the Township used available funds to continue to be debt free. The elimination of debt financing was accomplished by the end of June 2003.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2004-2005 will be limited to essential services since the Township is currently involved in a law suit. We are experiencing an increase in the sale of property which is increasing the tax revenue. There are also a significant number of homes that have never been on the tax rolls, that will be put on the tax rolls, and will increase tax revenues.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

**WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2004**

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 322,749
Due From Other Funds	18,239
Due From State	<u>12,993</u>
Total Current Assets	<u>353,981</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>37,997</u>
Total Noncurrent Assets	<u>37,997</u>
Total Assets	<u><u>\$391,978</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts Payable	\$ 13,824
Accrued Liabilities	<u>6,978</u>
Total Current Liabilities	<u>20,802</u>
Total Liabilities	<u>20,802</u>
Net Assets	
Investment in Capital Assets	37,997
Restricted for	
Fire	32,852
Ambulance	43,336
Library	42,192
Street Lighting	1,156
Capital Improvement	24,367
Donations	10
Unrestricted	<u>189,266</u>
Total Net Assets	<u><u>\$371,176</u></u>

The Notes to Financial Statements are an integral part of this statement.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT	
					Governmental Activities	Total
Primary Government						
Governmental Activities						
General Government	\$ 122,897	\$ 20,335			\$ (102,562)	\$ (102,562)
Public Safety	60,695	36,459		\$ 15,495	(8,741)	(8,741)
Public Works	40,282		\$ 2,822		(37,460)	(37,460)
Community and Economic Development	27,961				(27,961)	(27,961)
Recreation and Culture	33,356	4,054	4,138	5,606	(19,558)	(19,558)
Other	20,460				(20,460)	(20,460)
Total Governmental Activities	\$ 305,651	\$ 60,848	\$ 6,960	\$ 21,101	\$ (216,742)	\$ (216,742)
General Revenues						
Property Taxes						\$ 222,563
State-Shared Revenues						38,873
Unrestricted Investment Earnings						9,671
Other						2,839
Total General Revenues--Special Items and Transfers						273,946
Change in Net Assets						57,204
Net Assets--Beginning						313,972
Net Assets--Ending						\$ 371,176

The Notes to Financial Statements are an integral part of this statement.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

EXHIBIT C

	MAJOR GOVERNMENTAL FUNDS				Non-Major Governmental Funds	Total Governmental Funds
	General	Fire	Ambulance	Library		
<u>ASSETS</u>						
Cash and Cash Equivalents	\$182,795	\$32,523	\$42,811	\$38,766	\$25,854	\$322,749
Due From Other Funds	13,599	1,123	2,084	6,022		22,828
Due From State	12,993					12,993
Total Assets	\$209,387	\$33,646	\$44,895	\$44,788	\$25,854	\$358,570
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Accounts Payable	\$ 10,314	\$ 794	\$ 995	\$ 1,400	\$ 321	\$ 13,824
Due to Other Funds						
Primary Government	4,473		116			4,589
Accrued Liabilities	5,334		448	1,196		6,978
Total Liabilities	20,121	794	1,559	2,596	321	25,391
Fund Balances						
Reserved for						
Fire		32,852				32,852
Ambulance			43,336			43,336
Library				42,192		42,192
Street Lighting					1,156	1,156
Capital Projects					24,367	24,367
Donations					10	10
Unreserved--Undesignated	189,266					189,266
Total Fund Balance	189,266	32,852	43,336	42,192	25,533	333,179
Total Liabilities and Fund Balance	\$209,387	\$33,646	\$44,895	\$44,788	\$25,854	\$358,570
Fund Balance						\$333,179

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	37,997
Net Assets of Governmental Activities	\$371,176

The Notes to Financial Statements are an integral part of this statement.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

EXHIBIT D

	<u>SPECIAL REVENUE FUNDS</u>				Non-Major Governmental Funds	Total Governmental Funds
	General	Fire	Ambulance	Library		
Revenues						
Taxes and Penalties	\$ 141,483	\$ 20,715	\$38,470	\$21,895		\$222,563
Federal Grants			1,500			1,500
State Grants	38,873			4,138		43,011
Charges for Services	23,745	125	32,924	4,054		60,848
Interest and Rentals	7,959			399		8,358
Other Revenue	2,839	3,649	1,313	5,606	\$13,168	26,575
Total Revenues	214,899	24,489	74,207	36,092	13,168	362,855
Expenditures						
Current						
General Government	122,897				-	122,897
Public Safety	2,584	15,816	42,295		-	60,695
Public Works	33,584				6,698	40,282
Community and Economic Development	27,961					27,961
Recreation and Cultural	3,520			29,836		33,356
Other	20,460					20,460
Capital Outlay	6,175	14,535	3,953	4,787	8,547	37,997
Total Expenditures	217,181	30,351	46,248	34,623	15,245	343,648
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,282)	(5,862)	27,959	1,469	(2,077)	19,207
Fund Balance--July 1, 2003	191,548	38,714	15,377	40,723	27,610	313,972
Fund Balance--June 30, 2004	\$ 189,266	\$ 32,852	\$43,336	\$42,192	\$25,533	\$333,179
Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses						\$ 19,207
Amounts reported for governmental activities in the Statement of Activities are different because:						
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.						37,997
Change in Net Assets of Governmental Activities						\$ 57,204

The Notes to Financial Statements are an integral part of this statement.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--AGENCY FUNDS
For the Year Ended June 30, 2004

EXHIBIT E

	<u>Tax Collection</u>
<u>TAX COLLECTION FUND</u>	
Assets	
Cash	\$ 36,160
Due From Other Funds	116
Due From Others	<u>3,000</u>
Total Assets	<u><u>\$ 39,276</u></u>
Liabilities	
Due to County	\$ 5,777
Due to Schools and Colleges	15,029
Due to Other Funds	18,354
Undistributed Tax Funds	<u>116</u>
Total Liabilities	<u><u>\$ 39,276</u></u>

The Notes to Financial Statements are an integral part of this statement.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Whitefish Township (township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except for the non-reporting of the capital assets. The following is a summary of the significant accounting policies used by Whitefish Township:

Reporting Entity

Whitefish Township is located in Chippewa County and provides services to approximately 588 residents in many areas including public safety, highways and streets, general administrative services, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Whitefish Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund accounts for the township millage revenue is reserved for the operation of the fire department.

Ambulance Fund accounts for township millage revenue is reserved for the operation of the township ambulance.

Library Fund accounts for township millage is reserved for the operation of the Library.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

It is the township's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years.

The township has not recorded assets acquired prior to the current audit period. Current year acquisitions have been recorded as capital assets, however, depreciation expense has not been recorded for these assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis for the General Fund and fund level for the special revenue funds. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, (MCL 141.436), requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each Special Revenue Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act. The budgeted expenditures, including an accrued deficit, shall not exceed budgeted revenues, including available surplus.

During the year ended June 30, 2004, expenditures were incurred in excess of amounts appropriated for the following fund and/or activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General			
General Government	\$121,791	\$122,897	\$(1,106)
Public Works	32,872	33,584	(712)
Other	15,270	20,460	(5,190)
Capital Outlay		6,175	(6,175)
Special Revenue			
Fire			
Capital Outlay	8,200	14,535	(6,335)
Library			
Operating	22,885	29,836	(6,951)
Capital Outlay	1,940	4,787	(2,847)
Ambulance			
Operating	41,776	42,295	(519)
Airport		2,832	(2,832)

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Other Legal Noncompliance

The township has failed to adopt their budgets in accordance with the general appropriation act requirements in accordance with Public Act 2 of 1968, as amended.

The township has failed to establish or maintain the Uniform Chart of Accounts in a formal accounting system in accordance with Public Act 2 of 1968, as amended (MCL 141.421).

The township has failed to prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities and fund equities for each fund of the township in accordance with MCL 41.65.

The township failed to distribute taxes within 10 business days after the first and fifteenth of each month in accordance with MCL 211.43.

NOTE C--BALANCE SHEET CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, as amended by Public Act 20 of 1943, as amended, authorizes the treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The township's deposits are in accordance with statutory authority.

Deposits are carried at cost. Deposits of the township are in one financial institution in the name of Whitefish Township. The township board has adopted an investment policy as required by Public Act 20 of 1943, as amended.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--BALANCE SHEET CASH AND INVESTMENTS (Continued)

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$322,749</u>	<u>\$ 36,160</u>	<u>\$358,909</u>
Total	<u><u>\$322,749</u></u>	<u><u>\$ 36,160</u></u>	<u><u>\$358,909</u></u>

The bank balance of the primary government's deposits is \$360,233, of which \$100,000 is covered by Federal depository insurance.

NOTE D--PROPERTY TAXES

The township's 2003 ad valorem tax is levied and collectible on December 1, 2003. It is the township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the township operations. Any uncollected real property taxes which become delinquent March 1 are purchased by Chippewa County and paid to the township in May or June of each year. Property taxes are recognized when levied since the county purchases the delinquent taxes each year.

The 2003 taxable valuation of Whitefish Township amounted to \$44,403,950 on which ad valorem taxes of 1.6094 mills were levied for township operating purposes, .9754 mills for fire/ambulance departmental operations, and .4709 for library operations. The millages resulted in property tax revenue of \$71,451, \$43,300, and \$20,897, respectively, during the fiscal year ended June 30, 2004. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Equipment		\$ 37,997		\$ 37,997
Subtotal	\$ -	37,997	\$ -	37,997
Net Capital Assets Being Depreciated	-	37,997	-	37,997
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	\$ -	\$ 37,997	\$ -	\$ 37,997

The capital assets listed do not include all of the capital assets of the township. Township buildings have been owned by the township for approximately 20 or more years. The depreciation expense was not calculated during the year and has not been recognized as an expenditure in the government-wide financial statements. The township did not complete the capital asset listing. It is the intention of the township to record the capital assets by June 30, 2006.

NOTE F--INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables between funds of the township are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 13,599		
Fire	1,123		
Ambulance	2,084		
Library	6,021	Tax Collection	\$18,354
		General	4,473
Tax Collection	116	Ambulance	116
Total Primary Government	\$ 22,943		\$22,943

The purpose of the interfund balance is to account for undistributed taxes and a bank error. These balances are expected to be repaid within one year.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--RISK MANAGEMENT

The township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The township participates in the Michigan Township Participating Plan (MTPP). The plan covers general liability, nonowned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Individual reserves for each participant are unavailable.

NOTE H--CONTINGENCIES AND SUBSEQUENT EVENTS

The township had accepted a Federal grant for and in behalf of the Whitefish Pointe Historical Society. The U.S. Department of Housing and Urban Development Office of the Inspector General has opened a case in response to allegations of misuse of Federal funds. The case is still pending. An estimation of the potential liability to the township is undeterminable.

NOTE I--CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2003, the township implemented several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, "Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording nonexchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups, and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also implemented was Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures."

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004

EXHIBIT F

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and Penalties	\$144,427	\$144,427	\$141,483	\$ (2,944)
Federal Grants	30,000	30,000	-	(30,000)
State Grants	43,865	43,865	38,873	(4,992)
Charges for Services	25,725	25,725	23,745	(1,980)
Interest and Rentals	5,775	5,775	7,959	2,184
Other Revenue	3,550	3,550	2,839	(711)
Total Revenues	<u>253,342</u>	<u>253,342</u>	<u>214,899</u>	<u>(38,443)</u>
Expenditures				
Current				
General Government	135,111	121,791	122,897	(1,106)
Public Safety	2,584	2,584	2,584	-
Public Works	36,619	32,872	33,584	(712)
Community and Economic Development	21,549	29,896	27,961	1,935
Recreation and Cultural	35,500	35,500	3,520	31,980
Other	18,270	15,270	20,460	(5,190)
Capital Outlay	-	-	6,175	(6,175)
Total Expenditures	<u>249,633</u>	<u>237,913</u>	<u>217,181</u>	<u>20,732</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,709	15,429	(2,282)	(17,711)
Fund Balance--July 1, 2003	<u>-</u>	<u>-</u>	<u>191,548</u>	<u>191,548</u>
Fund Balance--June 30, 2004	<u>\$ 3,709</u>	<u>\$ 15,429</u>	<u>\$189,266</u>	<u>\$173,837</u>

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE DEPARTMENT--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

EXHIBIT G

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$35,200	\$ 35,200	\$20,715	\$ (14,485)
Charge for Services			125	125
Other Revenue			3,649	3,649
Total Revenues	35,200	35,200	24,489	(10,711)
Expenditures				
Public Safety	25,030	25,030	15,816	9,214
Capital Outlay	8,200	8,200	14,535	(6,335)
Total Expenditures	33,230	33,230	30,351	2,879
Excess of Revenues Over (Under) Expenditures	1,970	1,970	(5,862)	(7,832)
Fund Balance--July 1, 2003	-	-	38,714	38,714
Fund Balance--June 30, 2004	\$ 1,970	\$ 1,970	\$32,852	\$ 30,882

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
AMBULANCE--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

EXHIBIT H

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$60,702	\$60,702	\$38,470	\$(22,232)
Federal Grant			1,500	1,500
Charges for Services	13,000	13,000	32,924	19,924
Other Revenue			1,313	1,313
Total Revenues	<u>73,702</u>	<u>73,702</u>	<u>74,207</u>	<u>505</u>
Expenditures				
Public Safety	41,776	41,776	42,295	(519)
Capital Outlay	10,000	10,000	3,953	6,047
Total Expenditures	<u>51,776</u>	<u>51,776</u>	<u>46,248</u>	<u>5,528</u>
Excess of Revenues Over (Under) Expenditures	21,926	21,926	27,959	6,033
Fund Balance--July 1, 2003	<u>-</u>	<u>-</u>	<u>15,377</u>	<u>15,377</u>
Fund Balance--June 30, 2004	<u>\$21,926</u>	<u>\$21,926</u>	<u>\$43,336</u>	<u>\$ 21,410</u>

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LIBRARY--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2004

EXHIBIT I

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes			\$ 21,895	
State Grants			4,138	
Charge for Services			4,054	
Interest			399	
Other Revenue			5,606	
Total Revenues	\$ 24,825	\$ 24,825	36,092	\$ 11,267
Expenditures				
Recreation and Cultural	22,885	22,885	29,836	(6,951)
Capital Outlay	1,940	1,940	4,787	(2,847)
Total Expenditures	24,825	24,825	34,623	(9,798)
Excess of Revenues Over (Under) Expenditures	-	-	1,469	1,469
Fund Balance--July 1, 2003	-	-	40,723	40,723
Fund Balance--June 30, 2004	\$ -	\$ -	\$ 42,192	\$ 42,192

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

EXHIBIT J

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECT FUND</u>	
	Street Lighting Fund	Airport Donation Fund	Marie DePetro Improvement Fund	Fire/EMS Building Fund	Total Non-Major Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$1,477	\$10	\$12,863	\$ 11,504	\$25,854
Total Assets	\$1,477	\$10	\$12,863	\$ 11,504	\$25,854
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts Payable	\$ 321				\$ 321
Total Liabilities	321	\$ -	\$ -	\$ -	321
Fund Balances					
Unreserved--Undesignated	1,156	10	12,863	11,504	25,533
Total Fund Balance	1,156	10	12,863	11,504	25,533
Total Liabilities and Fund Balance	\$1,477	\$10	\$12,863	\$ 11,504	\$25,854

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

EXHIBIT K

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECT FUND</u>	
	Street Lighting Fund	Airport Donation Fund	Marie DePetro Improvement Fund	Fire/EMS Building Fund	Total Non-Major Governmental Funds
Revenues					
Other Revenue		\$2,822		\$ 10,346	\$ 13,168
Total Revenues	\$ -	2,822	\$ -	10,346	13,168
Expenditures					
Public Works	3,876	2,822			6,698
Capital Outlay			4,047	4,500	8,547
Total Expenditures	3,876	2,822	4,047	4,500	15,245
Excess of Revenues Over (Under) Expenditures	(3,876)	-	(4,047)	5,846	(2,077)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,876)	-	(4,047)	5,846	(2,077)
Fund Balance--July 1, 2003	5,032	10	16,910	5,658	27,610
Fund Balance--June 30, 2004	\$ 1,156	\$ 10	\$ 12,863	\$ 11,504	\$ 25,533

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--AGENCY FUNDS
For the Year Ended June 30, 2004

EXHIBIT L

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
<u>TAX COLLECTION FUND</u>				
Assets				
Cash	\$32,445	\$ 1,008,743	\$ 1,005,028	\$36,160
Due From Other Funds		116		116
Due From Others		3,000		3,000
Total Assets	\$32,445	\$ 1,011,859	\$ 1,005,028	\$39,276
Liabilities				
Due to County	\$ 5,777	\$ 320,015	\$ 320,015	\$ 5,777
Due to Schools and Colleges	18,362	548,923	552,256	15,029
Due to Other Funds	8,306	135,291	125,243	18,354
Undistributed Tax Funds		7,630	7,514	116
Total Liabilities	\$32,445	\$ 1,011,859	\$ 1,005,028	\$39,276

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
SCHEDULE OF REVENUES--BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2004

EXHIBIT M

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes and Penalties				
Current Property Taxes	\$ 68,948	\$ 68,948	\$ 74,439	\$ 5,491
Delinquent Property Taxes	9,000	9,000	1,511	(7,489)
Swampland Tax	46,729	46,729	46,729	-
Tax Reverted Lands	-	-	3,417	3,417
Commercial Forest Reserve	7,100	7,100	4,174	(2,926)
Property Tax Administration Fees	12,650	12,650	11,213	(1,437)
Total Taxes and Penalties	144,427	144,427	141,483	(2,944)
Federal Grants				
Greal Lakes Shipwreck Historical Society	30,000	30,000		(30,000)
Total Federal Grants	30,000	30,000	-	(30,000)
State Grants				
Revenue Sharing	41,465	41,465	38,873	(2,592)
Liquor License	2,400	2,400	-	(2,400)
Total State Grants	43,865	43,865	38,873	(4,992)
Charges for Services				
Land Splits	3,100	3,100	3,410	310
Transfer Station Fees	20,000	20,000	20,230	230
Other Charges for Services	2,625	2,625	105	(2,520)
Total Charges for Services	25,725	25,725	23,745	(1,980)
Interest and Rents				
Interest Earned	-	-	2,809	2,809
Cell Tower Fees	3,900	3,900	4,050	150
Community Center Rentals	1,875	1,875	1,100	(775)
Total Interest and Rents	5,775	5,775	7,959	2,184
Other Revenues				
Contributions From Private Sources	1,500	1,500	-	(1,500)
Refunds and Reimbursements	2,050	2,050	2,839	789
Total Other Revenues	3,550	3,550	2,839	(711)
Total Revenue	\$253,342	\$253,342	\$214,899	\$(38,443)

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2004

EXHIBIT N

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Township Board	\$ 11,000	\$ 10,300	\$ 10,265	\$ 35
Supervisor	10,861	10,161	10,581	(420)
Elections	2,730	2,557	364	2,193
Assessor	20,000	21,522	23,671	(2,149)
Clerk	13,340	10,518	10,664	(146)
Board of Review	1,115	1,268	1,214	54
Treasurer	21,133	22,633	23,039	(406)
Buildings and Grounds	53,369	41,269	35,320	5,949
Cemetery	1,563	1,563	837	726
Other General Government	-	-	6,942	(6,942)
Total General Government	135,111	121,791	122,897	(1,106)
Public Safety				
Liquor Law Enforcement	2,584	2,584	2,584	-
Total Public Safety	2,584	2,584	2,584	-
Public Works				
Road Maintenance	4,847	1,100	945	155
Sanitation	31,772	31,772	32,639	(867)
Total Public Works	36,619	32,872	33,584	(712)
Community and Economic Development				
Planning Commission	21,549	29,896	27,961	1,935
Total Community and Economic Development	21,549	29,896	27,961	1,935
Recreation and Cultural				
Great Lakes Shipwreck Historical Society Grant	30,000	30,000		30,000
Other	5,500	5,500	3,520	1,980
Total Recreation and Cultural	35,500	35,500	3,520	31,980
Other				
Insurance and Bonds	18,250	15,250	20,440	(5,190)
Miscellaneous	20	20	20	-
Total Other	18,270	15,270	20,460	(5,190)
Capital Outlay				
EMS / Fire Land	-	-	6,175	(6,175)
Total Capital Outlay	-	-	6,175	(6,175)
Total Expenditures	\$ 249,633	\$ 237,913	\$ 217,181	\$ 20,732



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

May 13, 2005

Township Board
Whitefish Township
7052 North M-123
P.O. Box 69
Paradise, Michigan 49768-0069

RE: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the Whitefish Township, Chippewa County, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 13, 2005. The Whitefish Township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of July 1, 2003. As discussed in Note E to the financial statements, management has not recorded capital assets in governmental activities from prior years and has not recorded depreciation expense on those assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Whitefish Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance, which we have reported to management in the Comments and Recommendations section of this report.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Whitefish Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider all of the reportable conditions involving the internal control over financial reporting and its operations to be material weaknesses. These findings are included in the Comments and Recommendations section of this report.

This report is intended solely for the information of management, regulatory authorities, Federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

A material weakness is an internal control deficiency in which the design or operation of a component(s) of internal control does not reduce to a relatively low level the risk that a material misstatement may be contained in the financial statements.

Our consideration of internal controls would not necessarily disclose all matters in internal controls that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

Clerk--General Ledger (Repeated From 1998)

Condition: The township does not maintain a complete general ledger. We found that the information provided by the computer reports only includes revenues and expenditures. Currently, the revenue and expenditure accounts are maintained without balancing them to cash, fund balance, and other balance sheet accounts. A "self-balancing" set of books does not exist.

Criteria: The general ledger is the gathering place for all local unit financial data. Properly maintained, it is a valuable tool of management. The general ledger is the single "binder" in which all funds and accounts of the township are maintained. Entries in the general ledger are made only from: (1) the receipts register; (2) disbursements register; and (3) the journal entries.

Failure to post complete accounting records on a timely basis may result in the following:

1. The financial condition of the township may not be readily determined.
2. The board may not be able to make sound business decisions because it has no financial data on which to make an evaluation.
3. The board may obligate more funds than are available, which is a violation of the Uniform Budgeting and Accounting Act.

Recommendation: We recommend that the township establish monthly procedures to ensure that all transactions are posted properly to the general ledger, receipts register and the disbursements register. The township should also make certain that the general ledger is in balance and reconciled with the respective subsidiary registers.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL CONDITIONS (Continued)

Management's Response: It would be best to have a complete general ledger so we can get all of the numbers to each of the departments. We currently have a program that can provide a complete general ledger.

Township--Capital Assets Records (Repeat)

Condition: The township does have a list of land, buildings, and equipment; however, the individual items have not been assigned dollar values. During the 2003/2004 fiscal year, the township did establish by resolution a capitalization policy that specifies a dollar value or capitalization threshold that assets must exceed if they are to be capitalized.

Criteria: Accounting principles generally accepted in the United States of America requires that capital assets be included in the financial statements of the governmental activities; and that the capital assets be reported by category and depreciated in accordance with estimated useful lives of the respective assets.

Recommendation: We recommend that the township take appropriate action to value and update the inventory of capital assets, including accumulated depreciation, and include control totals in the general ledger. Changes in capital assets must be updated at least annually. There should be procedures in place to assure that all capital assets, within the established dollar value, have inventory tags attached to them and tag numbers be indicated on the inventory list.

Management's Response: Currently in the process of obtaining documentation from individual departments to update the capital asset listing.

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instances of noncompliance with State statutes.

Reconciliation of Accounting Records

Condition: There are no balance sheet accounts in the official accounting records of the township. Tax revenues are not posted to the correct township funds that had millages. Other recording errors are also occurring and not being discovered since there is no reconciliation being performed on the amounts recorded in the general ledger. A comparison of the amounts recorded in the accounting records of the clerk to the records of the treasurer is not being performed by the clerk.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Criteria: MCL 41.65 states: “The township clerk shall also open and keep an account with the treasurer of the township, and shall charge the treasurer with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all money paid out by the treasurer on the order of the proper authorities of the township, and shall enter the date and amount of all vouchers in a book kept by the township clerk in the office. The township clerk shall also open and keep a separate account with each fund belonging to the township, and shall credit each fund with the amounts that properly belong to it, and shall charge each fund with warrants drawn on the township treasurer and payable from that fund. The township clerk shall be responsible for the detailed accounting records of the township utilizing the uniform chart of accounts prescribed by the state treasurer. The township clerk shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the township.”

Recommendation: The clerk must keep a complete set of accounting records based on source documentation. The records must be reconciled to the treasurer’s records.

Managements Response: The clerk and treasurer are trying to set a time to perform the reconciliation.

Clerk--Chart of Accounts

Condition: The township’s chart of accounts does not conform totally to the “Uniform Chart of Accounts for Counties and Local Units of Government in Michigan” published by the Michigan Department of Treasury.

Criteria: The Uniform Chart of Accounts for Counties and Local Units of Government in Michigan has been developed under the authority of Public Act 2 of 1968, as amended, (MCL 141.421) and Public Act 71 of 1919, as amended, (MCL 21.41). The objective of the Uniform Chart of Accounts is to provide a means for the accumulation of financial information which will be uniform for all local units of government.

Recommendation: We recommend that responsible township personnel assign fund, activity, and account numbers for all accounts of the township, as required by the “Uniform Chart of Accounts for Counties and Local Units of Government in Michigan” published by the Michigan Department of Treasury.

Management’s Response: The township has revised the chart of accounts and believes it to be in compliance.

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

General Appropriation Act

Condition: The budget does not include beginning and ending fund balances for the individual funds.

Criteria: Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds. Section 15 of the act also provides the following:

The recommended budget for the general fund and special revenue funds must include for each fund:

- Actual expenditures for the most recently completed fiscal year;
- Estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- An estimate of the expenditures in the next fiscal year;
- Actual revenue for the most recently completed fiscal year;
- Estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- An estimate of the revenue in the next fiscal year;
- Beginning and ending fund balance for each year;
- An estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

The total estimated expenditures in the budget (including an accrued deficit), shall not exceed the total estimated revenues (including an available unappropriated surplus), the proceeds from bonds or other obligations issued under the fiscal stabilization act, or the balance of the principal of these bonds or other obligations.

Recommendation: We recommend that a balanced budget be prepared in accordance with Public Act 2 of 1968, as amended, and a copy of the budget be included in the minutes. The budget should include beginning fund balance, revenues, expenditures, ending fund balance, and not create a deficit position for the fund.

Management's Response: As soon as we have a complete general ledger we will use fund balance for each fund as part of the budgeting procedure.

Expenditures in Excess of Appropriations--Township's Budgetary Funds

Condition: Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the "Uniform Budgeting and Accounting Act."

WHITEFISH TOWNSHIP--CHIPPEWA COUNTY

COMMENTS AND RECOMMENDATIONS

NONCOMPLIANCE WITH STATE STATUTES (Continued)

The township's fiscal year ending June 30, 2004 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level and Special Revenue funds at the fund level. Additional detail is provided for informational purposes only.

As detailed in Note B to the financial statements, actual fiscal year ending June 30, 2004 expenditures exceeded the township board's approved budget allocations for several General Fund activities and special revenue funds.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

Recommendation: We recommend that the township's chief administrative officer (township supervisor), the board and administrative personnel responsible for administering the activities of the various funds of the township, develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each township department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads should also be required to make formal requests to the township supervisor for budget amendments prior to incurring expenditures in excess of board authorized amounts.

Management's Response: The budget is reviewed monthly. During May and June, we will ensure that the budget is in-line with the expenditures by adjusting different line-items.

Treasurer--Failure to Distribute Taxes in a Timely Manner

Condition: The current taxes have been distributed timely, with the exception of the distribution to the township funds. We found that the Tax Collection Fund has undistributed taxes owing to various local governmental units as well as the General Fund. The amounts in the Tax Collection Fund are from the 2001 tax levy.

Criteria: MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.

Recommendation: We recommend that all taxes continue to be distributed as stipulated by law. The township should research the payments made to local units for the 2001 tax levy from both bank accounts and determine to whom the money in the tax account is owed. There should only be a small imprest amount in the tax account, from the General Fund, to keep the bank account open.

Management's Response: We will research the levy and make the distribution to reduce the balance to the proper amount.